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15 August 1950

SUMMARIES OF TRENDS AND DEVELOPMENTS

USSR

1. The immediate purpose of the current Communist propaganda theme in Germany, which claims that US planes have dropped incendiary bombs on East German territory, is to vilify the US. While a serious attempt to restrict or eliminate US air access to Berlin is unlikely in the near future, the incendiary bomb accusation could be used to "justify" eventual Soviet restrictions and/or elimination of the Allied air corridors.

(Page 6 )

2. Continued evidence of the increased petroleum supply activity throughout the Soviet orbit is indicated in the accelerated production of Soviet refineries and unconfirmed information that increased stockpiling of all essential goods, including POL, has been ordered by the Kremlin.

(Page 6 )

3. The overfulfillment of the Soviet labor force plan is not reflected in comparable overfulfillment of production goals. Hence, it seems obvious that at least some of the additional personnel are employed in sectors in which achievements are not published, or in new installations where contribution to total production is thus far relatively small.

(Page 8 )

4. In an apparent effort to promote economic ties and to improve official Soviet-Iranian relations, Soviet Ambassador

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Sadchikov has again called on the Iranian Prime Minister (D/EE Weekly, 1 Aug 50) and has suggested that Iran send a mission to Moscow to negotiate outstanding issues. When informed that Iran could not send a delegation but would be glad to receive one from the USSR, Sadchikov promised to ascertain whether the Soviet officials (not now in Moscow) who could handle trade negotiations would be available to come to Tehran later.

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EASTERN EUROPE  
CZECHOSLOVAKIA

5. At a July meeting in Prague, Vishinsky requested Satellite aid in purchasing strategic commodities, especially non-ferrous metals. The acquisition program is to be handled by a Prague firm with a branch in Basel, Switzerland which will undoubtedly be operationally more important than the home office.

The undertaking is probably a result of export controls, combined with a fear that Western rearmament, rising commodity prices, and the demand for dollars will place the Soviet sphere in a very disadvantageous position for the acquisition of commodities on the world market. It may also reflect a stepping-up of the stockpiling program.

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FINLAND

6. US searches of Finnish ships have provoked a strong reaction among Finns who feel that lack of faith in the Finnish non-satellite status is implied and that the Finnish anti-

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Communist front is thereby weakened.

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HUNGARY

7. A trend toward releasing important Hungarian Communists from Governmental administrative duties so that they may devote more time to the Party is probably aimed at strengthening the Hungarian Communist Party, although it may be part of the preparation for a shift of the Party leadership.

(Page 9)

8. Hungarian Communist efforts to eliminate Social Democrat influence (D/EE Weekly, 25 July 50) may be supplemented by a major show trial involving leaders of the former Social Democrat Party. Such a trial might also be used in an attempt to discredit the Hungarian Social Democratic emigres and, indirectly, their Socialist allies in Western Europe. Grounds for charges would probably be based on some truth inasmuch as it is known that Social Democrats are responsible for most of the industrial sabotage and that they have an espionage network throughout the country.

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POLAND

9. The Polish Communist Party has reverted to the principle of a mass party in order to promote attainment of the recently raised goals of the six-year plan. It seems improbable that the new measures taken by the Party will insure this success.

(Page 11)

10. The collectivization of agriculture in Poland has

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entered a new phase, which suggests that the Government is aiming for a substantial extension of collectivization after 1955. It is believed there is a good chance that the Government will attain this goal.

(Page 12)

11. With the renunciation of their agreement with the FIAT motor complex in Italy, the Polish Government appears to have forfeited its opportunity to have a domestic motor industry. The chief gain to the USSR as a result of this Soviet-directed action, is a reduction of the number of vehicle types in the Orbit and the resultant simplification of the problem of spare-parts supply in the future.

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YUGOSLAVIA

12. The alarming growth in the projected 1950 Yugoslav balance of payment deficit between February and 1 June is the latest threat to Yugoslav economy and Tito's ability to resist the Kremlin. In the four month interval the estimated deficit increased \$56 million - from \$75 million to \$131 million.

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INTERNATIONAL COMMUNISM

13. There has been an increasing tendency on the part of Italian Communist leaders to stress the theme that Communists must be prepared for a long struggle with their internal enemies. This is a reflection of recent warnings against the belief in an early and easy victory of world communism which were implicit in Stalin's latest publication on linguistics.

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14. Belief that the ostensible change in policy of the Communist Party of India (D/EE Weekly, 1 Aug 50) would not actually lead to the abandonment of violent tactics has now been confirmed. Instead of taking the moderately inclined P. C. Joshi back into the party, as was anticipated in some quarters, the Central Committee has confirmed his expulsion and charged him with trying "to take the party back to the old reformist line of peaceful, constitutional opposition to their enemies, a line which has nothing to do with the international proletarian movement." In addition, S. A. Dango, Communist labor leader recently released from prison, has reiterated his stand for an army of liberation in the rural areas - the major objective of the CPI at this time.

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EASTERN EUROPE

U S S R

Soviet-East German Incendiary bomb accusation  
aimed at vilification of US

"A"

The immediate purpose of the current Communist propaganda theme in Germany, which claims that US planes have dropped incendiary bombs on East German territory, is to vilify the US. While a serious attempt to restrict or eliminate US air access to Berlin is unlikely in the near future, the incendiary bomb accusation could be used to "justify" eventual Soviet restrictions and/or elimination of the Allied air corridors. The new propaganda theme, unlike the recent Colorado beetle charge, directly involves American use of the air corridors. The alleged bombing near Dossau is claimed to have been the work of a US plane en route from Frankfurt to Berlin.

The cancellation of the East German Government's request that the USSR institute measures to protect East German territory from US planes seems to indicate that the Kremlin is not ready to take drastic action against US Berlin air rights. The incendiary bomb accusation has not yet become a major propaganda issue, but there have already been "spontaneous" outbursts of indignation from both individuals and groups of workers in East Germany. (SECRET)

USSR petroleum industry probable mainstay  
in Satellite military stockpiling

"A"

Continued evidence of the increased petroleum supply activity throughout the Soviet orbit is the step-up of production of Soviet refineries which began in the first part of May. A coordinated military POL stockpiling program

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in the Satellites (D/EE Weekly, 8 Aug 50) which has been steadily increasing since May, together with the increasing Soviet POL production, possibly completes a unified pattern of stockpiling.

Although there is positive evidence of military stockpiling in the Satellites, there was no information until recently which linked any unusual activity in the USSR petroleum industry with this program. A series of twelve Soviet press articles, however, now reveals that the Soviet contribution to the pattern being established throughout the Soviet orbit is its successful effort to increase refinery output, particularly in the production of light petroleum products. Some of the largest refineries in the USSR have been exceeding their quotas of light products since the early part of May.

According the Swiss sources, increased stockpiling of all essential goods, including POL, in the Soviet Union has been ordered by the Kremlin. Furthermore, "the State Administration is currently being decentralized, and concurrently, decentralization of the big stockpiles of raw materials and foodstuffs is taking place."

Together with other oil regions in the USSR, the Baku oil fields, previously lagging behind the other oil areas in the rate of annual increase, have been fulfilling, and in some cases, exceeding their goals. Previous Soviet articles not only pointed out the achievements but also the shortcomings of the individual plant, trusts, or industry; the current articles, however, emphasize their accomplishments only.

Another factor indicating the trend toward Soviet support of this program is the fact that by the end of 1950, nearly 70 percent more manpower will have entered the non-agricultural labor force than had been envisaged by the Five Year Plan. The increase in personnel in the petroleum industry is probably even greater, by reason of its strategic nature.

The information available is insufficient to warrant

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a conclusive estimate of the situation, but it appears to be a shift from planning to the operations phase. (SECRET)

Soviet labor force plan overfulfillment  
not reflected in production achievements

"B"

With the increase of 2.4 million in the number of workers and employees in the national economy of the USSR announced at the end of the second quarter of 1950, it now appears that the actual increment during the course of the Five Year Plan will exceed the planned increment by approximately 70 percent, yielding a total of approximately 37 million. The number of graduates from both higher educational institutions and secondary schools will apparently exceed planned goals by a nearly proportionate amount. In the last two years the proportion of the total new workers being assigned to industry, construction, transportation and state agriculture has also been increasing.

Since the overfulfillment of the labor force plan has not had a proportional effect on published production achievements, it seems obvious that at least some of the additional personnel are employed in sectors in which achievements are not published, for security reasons, or where contribution to total production is thus far relatively small. (CONFIDENTIAL)

EASTERN EUROPE

FINLAND

Strong Finnish reaction to new US customs regulations

"B"

Recent US searches of two Finnish ships have contributed to the weakening of the anti-Soviet front in Finland

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in the opinion of Finnish Social Democrats. Party leaders feel that such action on the part of the US, plus US reverses in Korea, have produced an evident further weakening of resistance to the USSR among some bourgeois elements who tend to feel that Finland's only alternative is to appease its powerful neighbor.

The Social Democratic Party is willing to guarantee that no sabotage materials will be placed on ships in Finnish harbors, with the exception of Kemi harbor, since there are enough Party observers in all harbors except Kemi to prevent Communist dock workers from smuggling such materials aboard.

The Finnish Foreign Office has been distressed at the implied classification of Finland with the Soviet satellite states of Eastern Europe and is concerned that deterioration caused by delay, plus the expenses which will be incurred if such searches are continued, will put Finnish products at a disadvantage on the US market in comparison with similar products from Scandinavia. Finland's reputation in the western world is of so great concern to the Finnish Government that the Finnish Foreign Minister has offered, as an alternative to US searches, to institute inspection of Finnish ships in Finnish ports and to have all US bound ships proceed directly to the US.

Since the Finnish people are jealously proud of their position as an independent country on the USSR border, they are quick to resent what they consider a lack of good faith on the part of the US, and they are concerned that the Finnish Communists should be thereby furnished with such excellent propaganda grist. (SECRET)

HUNGARY

Loading Hungarian Communists  
assume new Party role

"A"

The recent assignment of three of Hungary's top Communists to an important Party task, following their release

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from most of their governmental and administrative responsibilities, is probably intended to permit them to devote full time to strengthening the Communist Party. Jozsef Revai, Janos Kadar and Istvan Kovacs are all experienced in Party organizational work. Revai has been responsible for the Communist indoctrination of the people, Kovacs was in charge of the mass screening of the Party in 1948-49, and Kadar has had a major role in the development of the cadre system.

The necessity for educating the Party members, increasing the efficiency of the Party organization and training tough Party cadres has been increasingly stressed during the past few months. Efforts toward these ends included: (1) a series of radio seminars on political and theoretical aspects of Communism, (2) election of new local Party officials throughout the country, and (3) the election of new members to the Central Committee, Politbureau, Orgbureau and Control Commission. In the elections the emphasis has been on the need for younger Party members of working class origin. But the problem of Party reliability remains and these three men may have been called on to solve it.

The task of the three Communist leaders may go beyond that of merely strengthening the Party organization and membership; it may include further preparatory work for the ouster of Rakosi or some of the other important Communist officials. An increasing number of Rakosi's followers are being eliminated, either because they have outlived their usefulness or because Rakosi himself is in the process of being isolated from his supporting associates.

Evidence that Rakosi may be on his way out is indicated by the recent acceleration of the campaign against the kulaks, the increased use of force against the Catholic Church, and the drive against the Social Democrats, all of which measures are contrary to policies advocated by Rakosi. If a shift of the leadership of the Party is in process, it will require long and careful preparation, a logical task for three such capable men as Revai, Kadar and Kovacs, none of whom are Rakosi men. (SECRET)

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Communist Party resumes mass composition

"A"

To promote attainment of the recently raised goals of the current six-year plan, the Polish Communist Party has announced abandonment of the principle of an elite Party and has reverted to the mass Party. Ruthless extirpation of all remnants of Polish nationalism and the complete uprooting from the Party of the Gomulka deviation, i.e. eradication of national communism, have also been demanded. In this fashion the Party undoubtedly hopes to create identification of the masses with the six-year plan and to channel their nationalist energies into cooperation for its successful completion.

To achieve those aims the Party will, according to Minc, Poland's top economist and prominent Party leader, enlist new members to be trained within the Party as activists to lead and control the masses. Further, Minc called for the enlistment of a greater percentage of workers in the Party ranks, and emphasized that the Party must lead the masses and, simultaneously, be composed of the masses.

During the past eight months the Party has subjected the rank and file to intense checking for reliability and efficiency and must estimate that it now has a relatively reliable membership and high degree of control. If the doors to membership are to be opened wide again to the masses, who are untrained and still uncompromisingly nationalistic and anti-Communist, a new process of purging and checking will invariably be required. Moreover, unless more stringent Party control methods are taken and unless the Party is able to train a sufficient number of reliable activists and cadres, which so far the Polish Communists have been conspicuously unsuccessful in doing, new deviations may rend the Party's cloak of monolithic unity.

Furthermore, since the revised goals of the six-year plan will demand greater effort on the part of the already overworked masses, and despite the fact that the Party has refined and improved its methods of control, it seems that these new measures will not, in themselves, insure the attainment of the new economic goals. (SECRET)

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Polish agricultural collectivization to be speeded

"A"

The collectivization of agriculture in Poland is definitely entering a new phase, the whole program being developed at a pace geared to the revised six-year plan for industrialization. This suggests that the Government is aiming for a substantial extension of collectivization after 1955. Not only will this program contribute to improved State control over agricultural production, which is necessary in order to carry out the industrial phase of the current six-year plan, but it will also finally place the Polish peasant completely under the thumb of the Government.

To enforce its collectivization program, the Communist Party has made it clear that coercive measures such as discriminatory use of State aid, withholding of farm machinery from independent peasants, curtailment of outlets available to individual peasants, withholding of consumer supplies from private peasant, taxation, and terror, will be used more extensively.

Recently released official figures picture the current harvest of grains and the livestock supply to be larger than average. For example, this fall and winter, when the harvest is in the hands of the State, the Government would be in a favorable position to force the formation of many new collective farms. Overt opposition to collectivization has weakened considerably, although there is still a great silent opposition. The peasant is watchful but helpless, while the Government is becoming more forceful.

An important factor which will permit the Government to disregard possible crop losses caused by collectivization is the Government's plan to have accumulated, by 1955, an alternate grain supply, received from state farms, totalling one-fourth of the basic grain crop. This would be enough to supply urban needs. Since there is a good chance of success for this plan, it seems probable that by the end of the current six-year plan, the Communists will have achieved a considerable degree of collectivization. (CONFIDENTIAL)

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Poland forfeits opportunity  
for domestic motor industry

"A"

By renouncing their agreement with the FIAT motor complex, the Polish Government appears to have forfeited its opportunity to have a domestic motor industry. The agreement, made in 1948, called for the construction of a FIAT factory at Warsaw, as well as the initial delivery of 2,000 trucks to Poland. The new factory was to be limited at first to the assembly of Italian vehicles, gradually developing over several years to full domestic manufacture. Now, Soviet trucks are to be assembled in the plant.

Poland's official reason for terminating the agreement was the inability of the Italian Government to reach agreement with Poland on her prewar - i.e.: capitalistic Poland's - debts to Italy. The real reason appears to have been intervention, because renunciation works to the advantage of the USSR and to the disadvantage of Poland.

Poland will thus forfeit sure imports of good quality trucks for uncertain imports of inferior trucks, at a time when any cutback in acquisitions will be most detrimental to over-committed truck inventories. Renunciation will delay, if not stop, the establishment of a real domestic motor vehicle industry. It is unlikely that the USSR will assist, or even permit, Poland to build its own independent motor industry in the future. Poland gains only the doubtful advantage of exchanging dependence on the West for dependence on the Soviet Union for supplies of spare parts and vehicles. The Soviet system of price fixing will make this exchange very expensive for Poland.

The Soviet Union gains its first secure foreign market for motor vehicles which it will protect by denying domestic production, and exploit by ruthless control of prices, resulting in fewer vehicles for Poland and delayed development of motor transport for the civilian economy. FIAT has estimated that renunciation reduced their overall production by sixteen million dollars. A factor contributing to the action may have been the Soviet intention thus to increase unemployment in Italy. The

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chief gain to the USSR, however, is a reduction in the number of vehicle types in the Orbit and the resultant simplification of the problem of spare-parts supply in the future. (SECRET)

YUGOSLAVIA

Yugoslavia's deteriorating financial situation  
appears incapable of near term solution

"A"

The alarming growth in the projected 1950 Yugoslav balance of payment deficit between February and 1 June is the latest threat to Yugoslav economy and Tito's ability to resist the Kremlin. In the four month interval the estimated deficit increased \$56 million - from \$75 million to \$131 million. Apparently Tito will not modify the Five Year Plan by curtailing expensive industrial purchases in favor of consumer goods, but will continue to gamble on having the deficit covered through Western aid. Political ideology, expected financial assistance, and five year plan successes to date, combined with the knowledge of his value to the West, will undoubtedly result in no important modification in Tito's plans.

Present and prospective financial grants from the US and ECA-supported Europe, if supplemented by a \$25 million IBRD loan, could cover the deficit. Principal contributors will be the Eximport Bank (a minimum of \$45 million), the UK (\$14 million), Western Germany (\$10 million), and Belgium \$3 to \$5 million).

Special Western German and Austrian credits of \$20 to \$25 million and \$15 to \$20 million respectively will probably constitute the balance of assistance.

The magnitude of Yugoslavia's balance of payments deficit stems primarily from two factors: the cost of capital equipment imports and the necessity of freeing the military establishment from dependence on Orbit material. Other expenses are incurred by payments on nationalized properties settlements and servicing of loans already contracted. Before balance of

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payments can attain a level even approaching equilibrium, export receipts will have to be increased through the installation and operation of modern mining machinery and timber-handling equipment. Meanwhile, export prospects, already hurt by corn, hemp, and other crop shortfalls, could be improved by sacrificing certain long term features of the Five Year Plan in favor of greater production for export.

Yugoslavia, an avowed Communist country, is unable or unwilling to supply reliable statistics. It is, therefore, difficult to determine their exact economic status, although it is apparent that there is a declining standard of living and a growing deficit in balance of payments. To offset the latter situation, their natural resources are better than average for Southeast Europe, and non-ferrous metal and agricultural exports, if properly developed, could readily supply sufficient foreign exchange to service external loans. (SECRET)

#### INTERNATIONAL COMMUNISM

##### Doctrinal doubletalk

"B"

There has been an increasing tendency on the part of Italian Communist Party leaders to stress the theme that Communists must be prepared for a long drawn-out struggle with their internal enemies. US officials believe it is likely that, at least orally, militants are being instructed not to expect final victory without the direct support of the Red Army. An important doctrinal article appearing recently in the Italian Communist Party publication devoted to Communist theory states that the struggle to prevent or delay war provides the basis for new forms of struggle for peace in case a war should break out despite all efforts to prevent it. The struggle for peace in wartime is to consist of efforts to transform the imperialist war into popular insurrection for peace and for elimination of the causes that generate war. Translated from Communist double-talk into plain English this would mean: in order to have peace on Moscow terms, war may be necessary; thus peace may have to be

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achieved through war.

The doctrine set forth in the article fits into a pattern of recent doctrinal warnings against belief in an early or easy victory of world communism. These theoretical pronouncements, particularly Stalin's statements on linguistics, his reaffirmation of the "capitalist encirclement," and his implication that the "withering away" of the state is still a utopia, reflect a realization on the part of the Communists that the struggle ahead will be a long and hard one involving new and unexpected sacrifices. (SECRET)

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